R.J. Reynolds Tobacco Company

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Confidential
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To: All N. Y. Metro Region DM's

Subject: **Manpower Analysis**

Gentlemen and Louann:

It is time for us to take a good hard look as to how we will be deploying our manpower resources during 1998 and beyond. As you all know, our manpower is our most valuable as well as our most expensive resource. It is up to all of us to ensure that we are using this resource as effectively as we can. As our business shifts we need to make sure that we properly align our resources with our opportunities for business growth.

We all know that the way we do business in the future will be changing. Our objective at this point is to be ahead of the curve and plan our manpower strategies now. There is still uncertainty as to exactly how we will operate in the future, but there are some things we do know at this point. The N. Y. City advertising restrictions will be implemented at some time. If not now, at least when a National settlement is reached. At that point, these restrictions will affect the entire region.

Some points we need to consider when looking at our manpower structure. What will be the accountabilities of a Retail Rep in a regulated environment? Many of the calls that we now send two bodies into may only require one representative. Are we penetrating enough calls now to truly make a difference? Are we possibly overcalling on calls between 75-99 cpw vs. penetrating additional volume? Are we possibly overcalling on calls between 100-200 cpw? Are we under calling on some calls, regardless of volume?

You are the experts on your own Divisions, so I am calling on you to develop a plan that will carry us forward into the next century. You will all need to look at where the business is done in your Division and come up with a plan that adequately addresses these opportunities.

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Some other points to consider when building your plan.

Should we bring the minimum volume of a call that we will send two bodies into (SR and RR) to 150 cpw with an RJR contract?
We will be incorporating a frequency of 8 (twice per quarter) into all plans. This serves two purposes. It brings down the frequency of some of the lower volume calls that we are currently hitting monthly. And factors in the calls that we are hitting twice per quarter that are now classified as 4's.

Your plan should outline the number of Sales Reps, Territory Reps and Retail Reps that are necessary to effectively service your current Sales geography. The Retail managers were purposely excluded from this exercise as we are not looking to justify headcount by Retail Division geography. The Retail Reps will be equitably deployed based on your recommendations.

I am attaching a spreadsheet to assist you in your calculations.

If you have any questions, please give me a call.

Sincerely,

Mike

cc: M. A. Young
R. J. O'Rourke

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